

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION
Revision 1

April 21, 2003

TO: Honorable Talmadge Heflin, Chair, House Committee on Appropriations

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2292 by Wohlgenuth (Relating to the provision of health and human services in this state, including the powers and duties of the Health and Human Services Commission and other state agencies; providing penalties.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2292, Committee Report 1st House, Substituted: a positive impact of \$1,137,351,574 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

Estimated savings should be compared to funding levels sufficient to conform to current policies and law. Estimated savings should not be compared to agency "building block" funding requests.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$538,074,551
2005	\$599,277,023
2006	\$602,408,255
2007	\$672,246,705
2008	\$724,289,744

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Savings from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Savings/ (Cost) from <i>FEDERAL FUNDS</i> 555
2004	\$168,202,943	\$496,104,918	(\$126,233,310)	\$693,921,576
2005	\$155,142,262	\$582,063,053	(\$137,928,292)	\$804,365,107
2006	\$165,341,444	\$582,068,737	(\$145,001,926)	\$773,559,924
2007	\$179,907,312	\$652,956,820	(\$160,617,427)	\$863,853,710
2008	\$196,965,137	\$706,119,817	(\$178,795,210)	\$945,574,416

Fiscal Year	Probable Savings/ (Cost) from <i>INTERAGENCY CONTRACTS</i> 777	Change in Number of State Employees from FY 2003
2004	\$1,442,220	(786.6)
2005	\$2,383,787	(1,916.5)
2006	\$2,383,787	(2,156.5)
2007	\$2,383,787	(2,149.5)
2008	\$2,383,787	(2,129.5)

Fiscal Analysis

The bill would make numerous changes to the provision of health and human services. Sections with fiscal implications are noted under methodology.

Methodology

The following estimate is based primarily on a response from the Health and Human Services Commission (HHSC), which analyzes the fiscal impact to all existing health and human services agencies (with the exception of the Cancer Council).

Article I (restructure health and human services) is estimated to produce All Funds savings: \$64.6 million in FY 2004, \$98.0 million in FY 2005, \$128.1 million in FY 2006, \$178.0 million in FY 2007, and \$178.0 million in FY 2008. These amounts would include GR savings: \$31.6 million in FY 2004, \$47.6 million in FY 2005, \$62.6 million in FY 2006, \$87.6 million in FY 2007, and \$87.6 million in FY 2008. The section would also result in the following full-time-equivalents (FTE) reductions: 1,102.1 in FY 2004, 2,162.5 in 2005, and 2,412.5 in each subsequent year.

Section 2.03 (third party reimbursements) is estimated to produce All Funds savings: \$2.4 million in FY 2004 and \$4.5 million in each subsequent year. These amounts would include GR savings: \$0.9 million in FY 2004 and \$1.8 million in each subsequent year.

Sections 2.94-2.105 (transportation) are estimated to produce \$9.5 million in All Funds savings (including \$4.0 million GR savings) in each fiscal year, beginning in FY 2004. The section would also result in FTE reductions of 76.5 in FY 2004 and 153.0 in each subsequent year.

Sections 2.08-2.13 (vendor drug program) are estimated to produce a net positive impact to GR. Estimated GR savings: \$58.0 million in FY 2004, \$120.0 million in FY 2005, \$135.5 million in FY 2006, \$156.7 million in FY 2007, and \$181.5 million in FY 2008. Estimated GR costs: \$65.3 million in FY 2004, \$77.4 million in FY 2005, \$87.9 million in FY 2006, \$102.7 million in FY 2007, and \$120.1 million in FY 2008. Additionally, these sections are estimated to produce a gain in GR: \$64.0 million in FY 2004, \$74.9 million in FY 2005, \$85.1 million in FY 2006, \$99.7 million in FY 2007, and \$116.8 million in FY 2008.

Section 2.15 (investigation and enforcement) is estimated to produce GR savings of \$12.7 million per year, beginning in FY 2004.

Section 2.18 (Medicaid fraud reduction pilot) is estimated to cost \$0.3 million GR and to save \$4.0 GR, for a net savings of \$3.7 million GR in FY 2004. The pilot is assumed to operate for one year.

Section 2.21 (TANF fraud) is estimated to produce savings of \$3.6 million in TANF federal funds per year, beginning in FY 2004.

Section 2.23 (Medicaid managed care) is estimated to produce GR savings of \$5.8 million in FY 2004, increasing to \$7.4 million in FY 2008.

Section 2.22 (criminal history) is estimated to produce GR costs of \$250,000 in FY 2004 and \$50,000 in FY 2005.

Section 2.36 (CHIP eligibility) is estimated to produce GR savings of \$100.6 million in FY 2004, increasing to \$135.3 million in FY 2008.

Section 2.48 (nursing facility grants) is estimated to produce GR costs: \$12.6 million in FY 2004, increasing to \$15.8 million in FY 2008. It is assumed that funding for this program would represent one-half of the estimated savings for Section 2.79 (Medicaid/Medicare billing).

Section 2.51 (quality assurance fee) is estimated to produce a net positive impact to GR. Estimated costs include \$10.9 million GR per year. Estimated GR revenue gains include \$27.3 per year.

Section 2.61 (Medicaid assets test) is estimated to produce GR savings of \$49.2 million in FY 2004, increasing to \$94.8 million in FY 2008. Estimated GR costs include \$4.5 in FY 2004 and \$4.1 million in FY 2008. The section is estimated to necessitate an FTE increase of 190.0 in FY 2004, increasing to 233.0 in FY 2008.

Section 2.63 (TANF/Medicaid sanctions) is estimated to produce savings to TANF federal funds and to Medicaid General Revenue and Medicaid Federal Funds. Estimated GR savings include approximately \$14 million per year. A one-time offsetting GR cost of \$0.4 million is estimated for FY 2004. Estimated savings to federal funds (primarily Medicaid funding) includes approximately \$40 million per year.

Section 2.64 (TANF eligibility) is estimated to produce GR costs including \$0.3 million in FY 2004, increasing to \$0.5 million in FY 2008. Estimated federal funds costs include \$0.9 million in FY 2004, increasing to \$1.2 million in FY 2008.

Section 2.70 (prescription drug limit) is estimated to produce GR savings of \$26.8 million in FY 2004, increasing to \$50.0 million in FY 2008.

Section 2.72 as amended by Amendments 18 and 49 (Medicaid continuous eligibility) is estimated to produce GR savings of \$106.7 million in FY 2004 and \$69.2 million in FY 2005.

Section 2.74 (Medicaid claims) is estimated to produce GR costs of approximately \$150,000 per year.

Section 2.77 (third-party insurance) is estimated to produce GR savings of \$1.2 million per year.

Section 2.79 (Medicaid/Medicare billing) is estimated to produce GR savings of \$25.2 million in FY 2004, increasing to \$31.5 million in FY 2008. It is assumed that one-half of the savings would be used to fund Section 2.48 (nursing facility grants).

Section 2.83 (Medicaid cost-sharing) is estimated to produce a net positive impact to GR. Estimated gains to GR include \$18.9 million per year. A similar savings to GR is estimated per year. Estimated GR costs include \$25.5 million per year. An increase of 2.0 FTEs per year is estimated.

Section 2.84 (ECI sliding fees) is estimated to produce a net positive impact to GR. Estimated gains to GR include \$1.9 million per year. A similar savings to GR is estimated per year. Estimated GR costs include \$1.9 million per year.

Section 2.107 (advisory committees) is estimated to produce a GR savings of \$50,000 to \$60,000 per year.

Section 2.108 (Medicaid/CHIP waiver) is estimated to produce a GR cost of approximately \$16,000 per year and to necessitate 1.0 additional FTE.

Section 2.111 (repealers) is estimated to produce a GR savings of \$21.0 million per year. An offsetting one-time cost of \$1.9 million GR is estimated for FY 2004. FTE reductions of 3.0 in FY 2004 and 12.0 in FY 2005 are estimated.

Section 2.17 (MOU--Office of the Attorney General (OAG)) is estimated to produce a net positive

impact to GR. The OAG estimates a GR savings of \$10.0 million in FY 2004, \$20.0 million in FY 2005, and \$37.2 million in each subsequent year. Estimated GR costs include \$3.7 million in FY 2004 and \$3.4 million in each subsequent year. Estimated FTE increases include 200.0 per year.

Section 2.33 (licensing fees) is estimated to generate a gain to GR of \$24.6 million in FY 2004 and \$0.5 million in each subsequent year.

Section 2.14 (medical service prior authorization) is estimated to produce a GR savings of \$150,000 in FY 2004 and \$305,000 in each subsequent year.

Section 2.89 (premium tax) is estimated to produce a gain to GR of \$30.9 million per year. Depending on the interpretation or modification of rules in the Medicaid and CHIP programs, it is possible that a portion of the gain could be offset by a cost to General Revenue.

Section 2.59 would create the Mental Health Community Services Trust Fund Account. Money in the trust fund account would be held out side of the state treasury by the Comptroller of Public Accounts. The bill would direct the comptroller to make available to the department without appropriation money in the fund for expenditures consistent with the purposes of the account.

Section 2.60 would create the Mental Retardation Community Services Trust Fund Account. Money in the trust fund account would be held out side of the state treasury by the Comptroller of Public Accounts. The bill would direct the comptroller to make available to the department without appropriation money in the fund for expenditures consistent with the purposes of the account.

Technology

Various sections of the bill would necessitate modifications to information systems currently in use or under development. Related costs are included in the above estimate.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 320 Texas Workforce Commission, 324 Department of Human Services, 327 Employees Retirement System, 367 Telecommunications Infrastructure Fund Board, 454 Department of Insurance, 529 Health and Human Services Commission

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